

**Headquarters U.S. Air Force**

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**Air Force  
Working Capital Fund  
Footnote Preparation**



**Lessons Learned  
1-2 March 2005**

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# *History...What We Have Done*

- **Developed a dynamic AF / DFAS partnership**
  - Ongoing process over last two years
- **AF established dedicated WCF accounting support**
- **Extended TDY by AF & DFAS personnel**
  - Learn each other's business processes
  - What's needed by each
- **Improved communication...resulting in clear, understandable footnotes**



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# *History...What We Have Done*

- **Identified variances in data between 1307/AFS**
  - AFS reported in different format than 1307
  - Complicates comparison between the two products
- **Developed process to reconcile two reports**
  - Template created to reflect 1307 data in AFS format
  - Trained new personnel on impact of eliminations process
- **Implemented new systems**
  - DMAPS, GAFS-R, etc.
  - More accurate visibility of gov't/public transactions
  - Results in fewer anomalies in data



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# ***Preparation Process***

- **DDRS Basic Procedures**
  - **Footnote schedules populated by general ledger accounts**
  - **Narrative from prior quarters carried forward**
  - **Updates to narratives made as required**
- **Timing of Footnote Preparation - Accelerated Reporting**
  - **Applicable narrative updated prior to processing**
  - **1307 comparative analysis submitted to AFMC at beginning of AFS cycle for preliminary analysis**
  - **Footnotes not affected by eliminations worked as applicable general ledger amounts finalized**



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# **Variance Analysis**

- **Review of prior year/quarter footnotes**
  - **Identifies various ongoing issues**
  - **Prior data often impacts current variances**
- **Determine driving factor of variance**
  - **Identify variance pre-elimination**
  - **Analysis by business areas to determine cause**
  - **Drilldown to specific general ledger accounts impacted**
  - **Coordinate findings with 1307 experts**
  - **Provide data at lowest level for customer to research**
  - **Concentrate on major drivers vs. all fluctuations**



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# ***Tips for Success***

- **Familiarization with business/operations**
  - Continuity of employees involved with AFS process
  - Support network identified
  - Continuous training of personnel
- **Keep narrative to the point**
  - Explanations at a high level/broad perspective
  - Avoid technical terms and acronyms
  - Identify problem, impact, and corrective action if needed
  - Utilize technical writers/review by non accounting personnel
- **Organization of data**
  - Identify total variance and then explain each component
  - Ensure totals add up
  - Utilize supplemental tables when necessary



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## **Tips for Success (cont'd)**

- **Overcome AFS to 1307 differences**
  - **Develop a process to reconcile reports**
  - **Ensure personnel know the impact of AFS adjustments**
  - **Consistent treatment of accounting transactions**
- **Develop analysis procedures**
  - **Tie budget performance to expected accounting results**
  - **Develop expectations based on budgets to specific time periods**
  - **Comparison of results at a given time period**
  - **Identify research techniques**
  - **Keep communication lines open**

**Bottom line...A Joint Commitment to Improving the AFS Process**  
*Financing the Fight*



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# **Footnote Example**

## **AF WCF Footnote 6 - Other Assets**

### Intragovernmental other assets (Line 1)

The \$2,485.9 thousand decrease to intragovernmental other assets is due to a decrease in unearned revenue reported by seller side entities outside of the Air Force Working Capital Fund (AFWCF). For FY 2005, all advances reported were within the AFWCF and therefore are eliminated for financial statement purposes.

### Non-federal other assets (Line 2)

The \$105,399.0 thousand increase in non-federal other assets consists of a \$8,677.0 thousand decrease in the Depot Maintenance Activity Group (DMAG) and a \$114,076.0 thousand increase in SMAG.

For DMAG, the decrease in advances is largely due to the phaseout of Contract DMAG. The increase in other assets is due to the unallocated labor and material expenditures account. This account is used to record expenditures that can not be identified to a specific job order number. The account captures expenditures that have already occurred in the feeder systems, but have not passed the system functionality of Defense Industrial Financial Management System (DIFMS) to be placed in the proper account(s). This requires the Air Logistics Center (ALC) personnel to annually correct the feeder systems to then populate DIFMS. This is a continual process that occurs at each of the ALCs at various times. The unallocated labor account is typically worked on after the payroll is paid out. For December 2004 the final pay period was on the 31<sup>st</sup>, and as such, the unallocated labor account appears higher at quarter end.

For SMAG, the \$195,485.7 thousand increase in advances was largely due to inventory in transit from vendors. In FY 2004, journal vouchers were prepared that caused the account balance to be abnormal. These vouchers were corrected during 4<sup>th</sup> quarter FY 2004. Because of the vouchers, the account was understated in FY 2004 and has returned to a normal amount for FY 2005.

For SMAG, the \$81,409.6 thousand decrease in other assets is due to two events. The first is due to other assets other DoD foreign military sales increased \$40,575.4 thousand. A system error in November 2004 caused an incorrect increase to the account. This system error will be corrected in January 2005. The second event is a decrease of \$122,484.0 thousand in returns to vendors pending credit. For the Materiel Support Division, a journal voucher was processed to clear the abnormal balances that were reported in error.



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# **Footnote Example**

## **Non-Federal Other Assets (in Thousands)**

Types of Asset	2005	2004
<b>Advances -</b>		
SMAG - Advances and Prepayments to Contractors	\$162,621	\$178,459
SMAG - Inventory in Transit from Vendors	94,484	(116,839)
DMAG - Advances and Prepayments to Contractors	988	14,718
<b>Other Assets -</b>		
SMAG - Air Force assets - other DoD foreign military sales (depot)	158,730	118,158
SMAG - Other assets returns to vendors pending credit	116,332	238,314
DMAG - Unallocated labor and materials	11,171	6,117
<b>Total Non-Federal Other Assets</b>	<b>\$544,326</b>	<b>\$438,927</b>